

CITY OF TAMA, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

CITY OF TAMA, IOWA
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CITY OF TAMA, IOWA
OFFICIALS
June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2012)		
Chris Bearden	Mayor	January, 2012
Robert Tyynismaa	Council Member	January, 2014
Steve Baier	Council Member	January, 2012
Dan Zimmerman	Council Member	January, 2014
Jeff Brezina	Council Member	January, 2012
Joshua Youngbear	Council Member	January, 2012
Judy Welch	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed
(After January, 2012)		
Dan Zimmerman	Mayor	January, 2016
Robert Tyynismaa	Council Member	January, 2014
Steve Baier	Council Member	January, 2016
Mike Carnahan	Council Member	January, 2014
Kenny McAdoo	Council Member	January, 2016
Crystal Kaufman	Council Member	January, 2016
Judy Welch	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Tama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2012 on our consideration of the City of Tama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the seven years ended June 30, 2009 (none of which are presented herein), were audited by other auditors whose reports expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 4g and 19 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Gm Wohl, Ben, Kynan & Co. P.C.

Atlantic, Iowa
December 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements and notes that follow. It should be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

2012 FINANCIAL HIGHLIGHTS

- FY 2012 overall revenues decreased by 28.3% or \$1,079,528 from the previous year. The city received no major governmental funding for capital projects in 2012.
- Overall total disbursements decreased by 8.8% or \$312,856 from FY 2011. Even though the city administered some capital projects it was not as vast as the water improvement project of FY2011.
- The City's total cash basis net assets decreased 12.0% or \$487,543 from June 30, 2011 to June 30, 2012. Of this amount the assets of governmental activities decreased by \$529,250 or 14.7% and the assets of business type activities increased \$41,707 or 9.1%.
- Fiscal Year 2012 saw improvements to the cemetery road, purchasing an excavator, bar screen repairs, police shed, and the beginning of rehab housing projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets informs the reader of how the City is performing financially as a result of the year's activities. Over time increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, State and Federal grants, investment interest and charges for services finance most of these activities.
- Business Type Activities include the Water and Sewer. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered major funds. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond. The Water Fund includes the Water Revenue Bond. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Receipts:				
Property Tax	\$851,460	\$810,706	\$796,693	\$801,098
Tax Increment Financing	9,800	0	280	14,346
Other City Tax	26,382	24,913	27,699	27,243
Local Option Tax	152,394	167,427	164,157	163,526
Use of Money and Property	40,330	76,727	98,575	115,714
Licenses and Permits	21,399	22,470	21,432	23,201
Intergovernmental	393,496	747,994	436,193	365,229
Charges for Service	343,635	278,591	305,211	275,908
Miscellaneous	<u>135,543</u>	<u>150,832</u>	<u>126,244</u>	<u>138,064</u>
Total Receipts	1,974,439	2,279,660	1,976,484	1,924,329
Disbursements:				
Public Safety	710,605	661,424	662,443	619,137
Public Works	557,856	446,472	462,054	493,610
Health and Social Services	5,155	8,013	5,918	5,902
Culture and Recreation	285,554	233,054	231,711	222,852
Community and Economic Development	57,421	34,246	13,952	19,618
General Government	156,333	149,633	145,019	142,122
Debt Service	255,354	256,101	256,496	251,516
Capital Projects	<u>475,411</u>	<u>222,939</u>	<u>258,189</u>	<u>219,250</u>
Total Disbursements	2,503,689	2,011,882	2,035,782	1,974,007
Other Financing Sources:				
Sale of Assets	--	--	930	1,500
Operating Transfers In, net	<u>--</u>	<u>--</u>	<u>9,404</u>	<u>--</u>
Increase/Decrease in cash basis net assets	(529,250)	267,778	(48,964)	(48,178)
Cash basis net assets beginning of year	<u>3,602,704</u>	<u>3,334,926</u>	<u>3,383,890</u>	<u>3,432,068</u>
Cash basis net assets end of year	<u>\$3,073,454</u>	<u>\$3,602,704</u>	<u>\$3,334,926</u>	<u>\$3,383,890</u>

The City's total revenue for governmental activities decreased by 13.4% or \$305,221 from FY 2011 to FY 2012. Decreases in revenue are due to no large funding from state or federal grants.

Revenue from investment interest decreased \$36,397 from the previous year. The interest rate decreased from 1.3% in FY 2011 to .40% in FY 2012.

There were, however, increases in revenue for landfill collection fees which increased due to the increased cost to the city for the use of the county landfill in the amount of \$15,991. The city collects revenue to pay the county landfill levy by charging \$3.50 a month on all water/sewer bills.

Ambulance service revenue increased \$48,853 for FY 2012.

Local Option Sales Tax (LOST) revenue of \$152,394 supported the Aquatic Center operation, bonds and interest. There was an decrease of \$15,033 of LOST receipts from FY 2011 to FY 2012. Bonds and interest for the fiscal year were \$115,243, pool operation supported by the city came to \$55,000 for a total of \$170,243. Cash funds were available from past local option tax revenue to support the difference of \$17,849.

The city received Tax Increment Financing (TIF) for FY 2012 for prior year downtown projects in the amount of \$9,800. There were no major TIF projects for the fiscal year.

The total disbursements for all programs and services for governmental activities increased by 24.4% or \$491,807 from the FY 2011 disbursements.

One of the largest increases in governmental expenditures became apparent from the city being placed in a high risk pool for work comp insurance. This expense cost the city an additional \$68,283 in premium. The city is adopting a safety program, with safety training to help us reach our goal of being accepted by a work comp carrier at an affordable rate.

Other areas of increased expenditures included:

Public Works - A new excavator was purchased in the amount of \$32,679 and landfill levy expenditure of \$46,032, which increased \$15,991. With the hiring of a Public Works Director in April of 2011, the Road Use Tax expenditures increased for FY Year 2012 for a third of the new employee's salary, the other two-thirds of the salary is paid by water and sewer funds. \$15,000 was spent on new garage doors for the city shop and an increase of minor street repairs were completed in FY 2012.

Culture and Recreation - The City of Tama agreed to spend \$25,000 a year to resurface the Oak Hill Cemetery roads until all the roads are improved. This was the first year of a three to four year project. The City of Tama celebrated their 150th Anniversary as the City of Tama expending \$16,000 of Reserve Funds for an outstanding fireworks display and a free meal to the community. Additional expenses of \$8,000 will be noted in next year's audit for advertising and music entertainment.

Community and Economic Development - The city received a Community Block Grant totaling \$343,990 for the rehabilitation of ten homes. Region 6 Council of Governments administered the program. Two homes were finished in FY 2012 in the amount of \$46,860. The other eight homes will be completed in FY 2013.

Capital Projects: In FY 2011 the city received funding from the DOT in the amount of \$360,000 due to the acquiring of Highway 30, now called Business Highway 30. At the end of FY 2011 the city began resurfacing E. 13th Street with the funds. In FY 2012 the city completed the project expending \$335,342 in the fiscal year. Total construction cost (FY2011 and FY 2012) - \$385,977; engineering fees \$52,931.

Other Capital Projects - A new police shed - \$49,227; Housing Projects - \$7,407 (another rehab housing program providing three homes with improvements with the city investing \$2,499 for each home and state grant funding through our council of governments); and a new \$7,498 copier for the city.

Tax askings for FY 2012 were \$16.41 increasing taxes by \$.51. Other fiscal years the taxes were as follows: FY 2011 - \$15.90; FY 2010 - \$15.84; FY 2009 - \$15.77; FY 2008 - \$15.77; and FY 2007 - \$15.54. Taxable Valuation increased \$1,355,841.

BUSINESS TYPE ACTIVITIES - FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for business type activities.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>FY2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Receipts:				
Charges for Services:				
Water	\$242,695	\$255,447	\$247,105	\$283,639
Water Rev Bond	51,660	36,800	25,761	--
Sewer	227,254	227,527	216,417	183,917
Sewer Rev Bond	141,336	140,100	137,452	136,152
Other General Receipts	50,016	50,016	50,016	50,016
Operating Grants, Contributions, Interest	3,282	7,564	9,356	11,863
Water Proceeds from Debt	--	791,142	318,858	--
Miscellaneous	<u>46,720</u>	<u>28,674</u>	<u>37,031</u>	<u>--</u>
Total Receipts	762,963	1,537,270	1,041,996	665,587
Disbursements:				
Water	260,331	263,387	241,922	233,489
Water Project		796,758	309,454	--
Water Rev Bond	51,660	44,623	2,369	--
Sewer	267,943	281,047	314,236	281,825
Sewer Rev Bond	141,322	140,104	137,703	136,150
Transfer Out, net	<u>--</u>	<u>--</u>	<u>9,404</u>	<u>--</u>
Total Disbursements	<u>721,256</u>	<u>1,525,919</u>	<u>1,015,088</u>	<u>651,464</u>
Increase in cash balance	41,707	11,351	26,908	14,123
Cash Basis net assets beginning of year	<u>458,209</u>	<u>446,858</u>	<u>419,950</u>	<u>405,827</u>
Cash Basis net assets end of year	<u>\$499,916</u>	<u>\$458,209</u>	<u>\$446,858</u>	<u>\$419,950</u>

The business type activities revenue for FY 2012 was \$762,963 compared to \$1,537,270 in FY 2011. There was no major revenue from grants in FY 2012.

July 1, 2011 sewer rates were increased 2% as stated in the city code to \$4.71 per 1,000 gallons based on water consumption and \$10.20 for the base rate. This rate increased sewer revenue by \$4,914.

July 1, 2011 water rates were increased to \$12.66 for the first 2,000 gallons and \$2.36 per 1,000 gallons. This 2% raise increased the water revenue by \$642. We expected a larger increase in revenue for both sewer and water however we believe total water consumption was less than the past year.

Revenue for the water revenue bond, sewer revenue bond; sewer rehabilitation and sewer replacement remained approximately the same.

Disbursements in FY 2012 totaled \$721,256 where disbursements of FY 2011 were \$1,525,919 a decrease of \$804,663. In FY 2011 the city paid for the construction of a water aeralater. FY 2012 no major capital projects were completed.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tama completed the year; its governmental funds reported a combined fund balance of \$3,073,454 a decrease of \$529,250 from FY 2011 balance of \$3,602,704. The following are the main reasons for the changes in fund balances of the major funds.

Ending cash balances for the General Fund decreased \$54,825. The City paid for the cemetery road repair and the additional workman compensation insurance from beginning cash balances.

The General Fund for this fiscal year and next will include the city's 150 anniversary celebration. The council approved spending up to \$30,000 of reserve funds for the celebration. The city expended \$11,000 for fireworks and \$5,000 was given to the 150th committee for the free meal to the community expense. The actual celebration did not take place until July 28th, therefore, additional expenses will be stated in the FY 2013 report.

The Road Use Tax cash fund decreased by \$539. Expenditures increased \$47,345 due to the partial salary of a public works director, garage doors, and minor street projects. The State Revenue increased \$5,949.

The Capital Project cash funds includes cash balances from Capital Projects, Capital Projects – Community Development, Capital Reserves, Street Improvements '06, Water Projects Improvements, DOT Street Funds and the Aquatic Center Fund. FY 2012 \$1,899,911 and FY 2011 \$2,401,049 a decrease of \$501,138. The decrease was due to the E 13th Street improvement project being completed. The city expended funds from the Water Project Improvement Fund for water valve replacements the balance of the fund, \$7,630 will be expended in FY 2013. The city also built a storage shed for the police department in the amount of \$49,227 with Capital Project Funds. The Street Improvement Bond Fund has been fully expended as well as the DOT Street Fund due to the completion of the E 13th Street Project.

Cash balances for the Trust and Agency Fund indicated an increase of \$40,628. Revenues continued to be increasing \$75,235 for the fiscal year with expenses at \$34,607. Thus providing the additional cash balance with no significant purchases or revenue. The ambulance fund in Trust and Agency increases every year as the city records \$50 from each paid ambulance bill in order to purchase a new ambulance in the future. The Trust and Agency Fund includes Police, Library, Ambulance, Cemetery and Fire savings from donations and special revenue.

The City's Employee Benefit Fund used for partial self-funding of health insurance saw a decrease in the available cash of \$3,924. \$16,286 was expended to employees for health care deductibles this was an increase in expenditures from \$10,483 from FY 2011.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balances increased in FY 2012 by \$10,070 (FY 2012 - \$298,785 and FY 2011 - \$288,715). The additional cash balance is due to a decrease in spending for the FY 2012. With the termination of Veolia Water as our contractor for the water plant operation this saved the city approximately \$18,624. The additional savings enabled the city to purchase new testing and office equipment in the plant.

The Sewer Fund cash balances increased in the amount of \$31,637. This is the first increase in cash balances for many years. Two events created this increase. With the termination of Veolia Water as our contractor for sewer operations the city was able to save approximately \$34,670. The second event occurred from revenue from Veolia in the amount of \$20,895 to pay for FY 2012 sludge removal as stated in the contract. This was a formula used by Veolia to establish the amount. The actual expense of hauling the sludge was \$8,902. The City has found that by not contracting out the operation of sewer and water the city is able to increase its cash balances. As stated early in the report, there was not a large increase seen in the 2% rate increase. The city will need to review the water consumption in FY 2013 to see if there is a drop in usage causing the a small increase in revenue from the rate increases. The local by-products plant is requesting to bring industrial waste to the sewer plant which is requiring additional engineering for the rate study. Engineering continued to establish a pre treatment agreement with the local by-products plant. Since the plant has not been at full capacity the city agreed to establish industrial rates that would provide additional revenue to cover the additional expenses at our sewer plant for their waste. This industrial rate increase will begin sometime in the fall of 2012. To have funds available to improve sewer mains the City deposits \$25,000 each year into the Sewer Rehabilitation Fund. The City also deposits \$25,000 each year to the Sewer Replacement Fund to support major projects in the replacement of sewer equipment.

BUDGETARY HIGHLIGHTS

On August 1, 2011 the City amended the budget to increase expenditures for capital projects, the water improvement valve project, sewer main repairs, E 13th Street Project, storm disaster tree removal and health insurance increases. Total budgeted expenses increased \$263,287. No revenue amounts were amended.

On May 7, 2012 the City again amended the budget to increase expenditures for work comp insurance premiums, purchasing street equipment, rehab housing projects, expenses for the 150th celebration, downtown revitalization (did not use), the police shed, and engineering for the 5th Street improvement project (that did not happen). Revenues also increased receiving funding for the rehab housing projects and the refund of the sewer operation contract for sludge hauling.

DEBT ADMINISTRATION

As of June 30, 2012, the City of Tama had \$3,040,000 in outstanding debt compared to \$3,352,000 at the end of June of 2011. Monies generated from local option taxes will pay for the Aquatic Bond issues. The Sewer Revenue Bond issue will continue until June of 2014. The Aquatic Bond issue was refunded on July 1, 2012. By re-issuing the aquatic bonds the city will save \$102,565 in interest during the life of the bond. The interest rate decreased from an average of 4.4% to 1.5%. The actual cost savings will not be seen until FY 2015. The Aquatic Bond issue continues through FY 2024. The G.O. Improvement bond issue will mature June of 2021. The Water Revenue Bond issue will continue until June 2030.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,065,000 is below the constitutional debit limit of \$4,681,825 for FY 2012.

Outstanding Debt at Year-End

Outstanding Debt As Of:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Sewer Rev. Bond \$1,784,000 Issued December 1992	\$275,000	\$404,000	\$528,000	\$646,000
2004 A -Aquatic Bond \$1,165,000 Issued August 1, 2004	840,000	890,000	940,000	990,000
2004 B- Aquatic Bond \$300,000 Issued August 1, 2004	220,000	235,000	250,000	260,000
General Oblig. Bond \$1,500,000 Issued August 1, 2006	1,005,000	1,095,000	1,180,000	1,265,000
Water Rev. Bond \$755,000 Issued December 9, 2009*	<u>700,000</u>	<u>728,000</u>	<u>836,000</u>	<u>--</u>
	<u>\$3,040,000</u>	<u>\$3,352,000</u>	<u>\$3,734,000</u>	<u>\$3,161,000</u>

* The Debt amount changed project expended less than approved at the beginning of the project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In FY 2012 two out of ten rehab housing projects were completed. FY 2013 will report the additional eight. This housing project is administered through Region 6 Housing and Planning, a grant of \$343,900. The city's share of the entire project is \$30,500. Also, three homes were improved with another grant project where the city invested \$2,499 into each home. Each home was improved with housing grant funds up to \$24,999.

A new hardware store opened in the downtown area of Tama which we will hope will spark some interest in the downtown business district.

The meat packing plant that has been closed for many years has investors in the planning stages of opening the plant. This would be a big boost for the economic growth of Tama. We will wait and see what will develop.

Grant funds are available for sewer and water rehabilitation. The city will apply for funding in FY 2013 for sewer main improvements and improvements at the sewer plant and lift station.

In FY 2013 the property tax levy will be at \$17.26. This is a \$.85 increase from FY 2012. The tax increase indicates increases in employee benefits. Taxable valuation increased \$1,096,622.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information contact the Tama City Clerk Judy Welch, 305 Siegel Street, Tama, Iowa 52339. Many hours are spent to complete this report, I would sure like to hear from people who read the report to know that the hours spent are worth the time and effort.

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2012

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 710,605	\$ 359,476	\$ 48,032
Public works	557,856	59,249	272,887
Health and social services	5,155	--	--
Culture and recreation	285,554	16,462	31,619
Community and economic development	57,421	617	32,595
General government	156,333	20,781	--
Debt service	255,354	--	--
Capital projects	475,411	--	--
Total governmental activities	<u>2,503,689</u>	<u>456,585</u>	<u>385,133</u>
Business type activities:			
Water	311,991	294,355	--
Sewer	409,265	418,606	--
Total business type activities	<u>721,256</u>	<u>712,961</u>	<u>--</u>
Total	<u>\$ 3,224,945</u>	<u>\$ 1,169,546</u>	<u>\$ 385,133</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Miscellaneous			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ (303,097)	\$ --	\$ (303,097)
--	(225,720)	--	(225,720)
--	(5,155)	--	(5,155)
--	(237,473)	--	(237,473)
--	(24,209)	--	(24,209)
--	(135,552)	--	(135,552)
--	(255,354)	--	(255,354)
--	(475,411)	--	(475,411)
--	(1,661,971)	--	(1,661,971)
--	--	(17,636)	(17,636)
--	--	9,341	9,341
--	--	(8,295)	(8,295)
<u>\$ --</u>	<u>(1,661,971)</u>	<u>(8,295)</u>	<u>(1,670,266)</u>
	754,112	--	754,112
	123,730	--	123,730
	9,800	--	9,800
	152,394	--	152,394
	40,330	3,282	43,612
	52,355	46,720	99,075
	<u>1,132,721</u>	<u>50,002</u>	<u>1,182,723</u>
	(529,250)	41,707	(487,543)
	<u>3,602,704</u>	<u>458,209</u>	<u>4,060,913</u>
	<u>\$ 3,073,454</u>	<u>\$ 499,916</u>	<u>\$ 3,573,370</u>

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - Continued

As of and for the year ended June 30, 2012

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Assets		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Streets		
Employee benefits		
Capital projects		
Other purposes		
Unrestricted		
Total cash basis net assets		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
	\$ 56,564	\$ --	\$ 56,564
	2,204	58,404	60,608
	187,024	--	187,024
	17,097	--	17,097
	1,899,911	--	1,899,911
	191,562	--	191,562
	<u>719,092</u>	<u>441,512</u>	<u>1,160,604</u>
	<u>\$ 3,073,454</u>	<u>\$ 499,916</u>	<u>\$ 3,573,370</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2012

	General	Special Revenue Road Use Tax	Employee Benefit
Receipts:			
Property tax	\$ 478,171	\$ --	\$ 253,317
Tax increment financing	--	--	--
Other city tax	14,667	--	7,957
Licenses and permits	21,399	--	--
Use of money and property	29,053	--	583
Intergovernmental	120,609	272,887	--
Charges for service	343,635	--	--
Miscellaneous	35,242	--	--
Total receipts	<u>1,042,776</u>	<u>272,887</u>	<u>261,857</u>
Disbursements:			
Operating:			
Public safety	685,642	--	4,500
Public works	279,033	273,426	5,397
Health and social services	5,155	--	--
Culture and recreation	268,577	--	1,500
Community and economic development	57,421	--	--
General government	150,964	--	4,889
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>1,446,792</u>	<u>273,426</u>	<u>16,286</u>
Excess (deficiency) of receipts over (under) disbursements	(404,016)	(539)	245,571
Other financing sources (uses):			
Operating transfers in	349,191	--	--
Operating transfers out	--	--	(249,495)
Total other financing sources (uses)	<u>349,191</u>	<u>--</u>	<u>(249,495)</u>
Net change in cash balances	(54,825)	(539)	(3,924)
Cash balances beginning of year	<u>773,917</u>	<u>187,563</u>	<u>21,021</u>
Cash balances end of year	<u>\$ 719,092</u>	<u>\$ 187,024</u>	<u>\$ 17,097</u>

(continued next page)

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>Capital Reserves</u>	<u>DOT Street Fund</u>		
\$ 119,972	\$ --	\$ --	\$ --	\$ 851,460
--	--	--	9,800	9,800
3,758	--	--	152,394	178,776
--	--	--	--	21,399
5,098	--	836	4,760	40,330
--	--	--	--	393,496
--	--	--	--	343,635
--	--	--	100,301	135,543
<u>128,828</u>	<u>--</u>	<u>836</u>	<u>267,255</u>	<u>1,974,439</u>
--	--	--	20,463	710,605
--	--	--	--	557,856
--	--	--	--	5,155
--	--	--	15,477	285,554
--	--	--	--	57,421
--	--	--	480	156,333
255,354	--	--	--	255,354
--	--	335,342	140,069	475,411
<u>255,354</u>	<u>--</u>	<u>335,342</u>	<u>176,489</u>	<u>2,503,689</u>
(126,526)	--	(334,506)	90,766	(529,250)
116,243	--	--	112,600	578,034
<u>--</u>	<u>(105,000)</u>	<u>--</u>	<u>(223,539)</u>	<u>(578,034)</u>
<u>116,243</u>	<u>(105,000)</u>	<u>--</u>	<u>(110,939)</u>	<u>--</u>
(10,283)	(105,000)	(334,506)	(20,173)	(529,250)
<u>12,487</u>	<u>1,773,308</u>	<u>334,506</u>	<u>499,902</u>	<u>3,602,704</u>
<u>\$ 2,204</u>	<u>\$ 1,668,308</u>	<u>\$ --</u>	<u>\$ 479,729</u>	<u>\$ 3,073,454</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2012

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Employee</u> <u>Benefit</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Streets	--	187,024	--
Employee benefits	--	--	17,097
Capital projects	--	--	--
Other purposes	--	--	--
Unassigned	<u>719,092</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 719,092</u>	<u>\$ 187,024</u>	<u>\$ 17,097</u>

The accompanying notes are an integral part of these statements.

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>Capital Reserves</u>	<u>DOT Street Fund</u>		
\$ --	\$ --	\$ --	\$ 56,564	\$ 56,564
2,204	--	--	--	2,204
--	--	--	--	187,024
--	--	--	--	17,097
--	1,668,308	--	231,603	1,899,911
--	--	--	191,562	191,562
--	--	--	--	719,092
<u>\$ 2,204</u>	<u>\$ 1,668,308</u>	<u>\$ --</u>	<u>\$ 479,729</u>	<u>\$ 3,073,454</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2012

	Enterprise	
	Water Fund	Sewer Fund
Operating Receipts:		
Charges for service	\$ 242,695	\$ 227,254
Total operating receipts	<u>242,695</u>	<u>227,254</u>
Operating Disbursements:		
Business type activities	<u>260,331</u>	<u>212,597</u>
Total operating disbursements	<u>260,331</u>	<u>212,597</u>
Excess (deficiency) of receipts over (under) disbursements	(17,636)	14,657
Non-operating receipts (disbursements):		
Interest on investments	1,913	1,369
Miscellaneous	25,793	20,927
Debt service	--	--
Capital projects	<u>--</u>	<u>--</u>
Total non-operating receipts (disbursements), net	<u>27,706</u>	<u>22,296</u>
Excess (deficiency) of receipts over (under) disbursements	10,070	36,953
Operating transfers in	--	--
Operating transfers out	<u>--</u>	<u>--</u>
Total operating transfers in (out), net	<u>--</u>	<u>--</u>
Net change in cash balances	10,070	36,953
Cash balances beginning of year	<u>246,646</u>	<u>(5,385)</u>
Cash balances end of year	<u>\$ 256,716</u>	<u>\$ 31,568</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ --
Unrestricted	<u>256,716</u>	<u>31,568</u>
Total cash basis fund balances	<u>\$ 256,716</u>	<u>\$ 31,568</u>

The accompanying notes are an integral part of these statements.

Sewer Revenue Bond	Enterprise	
	Nonmajor	Total
\$ 141,336	\$ 101,676	\$ 712,961
141,336	101,676	712,961
--	--	472,928
--	--	472,928
141,336	101,676	240,033
--	--	3,282
--	--	46,720
(141,322)	(51,660)	(192,982)
--	(55,346)	(55,346)
(141,322)	(107,006)	(198,326)
14	(5,330)	41,707
--	--	--
--	--	--
--	--	--
14	(5,330)	41,707
16,321	200,627	458,209
\$ 16,335	\$ 195,297	\$ 499,916
\$ 16,335	\$ 42,069	\$ 58,404
--	153,228	441,512
\$ 16,335	\$ 195,297	\$ 499,916

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tama, Iowa is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tama has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported and budgeted as part of the City as a permanent fund.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a permanent fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds or enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Reserves and DOT Street Fund Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of certain capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Sewer Revenue Bond Fund is utilized to account for net operating receipts of the City's wastewater treatment and sanitary sewer system to be used for the payment of interest and principal on the City's sewer revenue bonds.

C. Measurement Focus and Basis of Accounting

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
United States Savings Bonds Series HH	\$ 34,000	\$ 34,000

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 165,000	\$ 92,599	\$ 164,000	\$ 29,250	\$ 329,000	\$ 121,849
2014	170,000	85,801	170,000	24,330	340,000	110,131
2015	175,000	78,671	31,000	19,230	206,000	97,901
2016	180,000	71,216	32,000	18,300	212,000	89,516
2017	190,000	63,416	33,000	17,340	223,000	80,756
2018 - 2022	965,000	179,443	184,000	71,070	1,149,000	250,513
2023 - 2027	220,000	16,088	215,000	41,670	435,000	57,758
2028 - 2030	--	--	146,000	8,850	146,000	8,850
	<u>\$ 2,065,000</u>	<u>\$ 587,234</u>	<u>\$ 975,000</u>	<u>\$ 230,040</u>	<u>\$ 3,040,000</u>	<u>\$ 817,274</u>

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,784,000 in sewer revenue bonds issued in October, 1993. Proceeds from the bonds provided financing for the repair and improvement of the sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 69 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$287,450. For the current year, principal and interest paid and total customer net receipts were approximately \$141,120 and \$206,009, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in December, 2009. Proceeds from the bonds provided financing for the repair and improvement of the water system. The bonds are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require approximately 100 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$917,590. For the current year, principal and interest paid and total customer net receipts were approximately \$49,840 and \$34,024, respectively.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly deposits and transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% (5.78% effective July 1, 2012) of their annual covered salary and the City is required to contribute 8.07% (8.67% effective July 1, 2012) of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were approximately \$63,100, \$46,100, and \$43,000, respectively, equal to the required contribution for each year.

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The City's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

The City's fiduciary responsibility is limited to due care in selecting contractors to administer the Plan. These contractors are responsible for withholdings and W-2s when the participants receive payments. The contractors are also required to submit an annual report to the City. The City is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant. The Plan assets are not included in the financial statements since the City does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate vacation and sick leave hours based on the length of their employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2012, primarily related to the General Fund, totaled \$25,133. This liability has been computed based on rates of pay in effect at June 30, 2012.

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Employee Benefits	249,495
	Tax Increment Financing	8,096
	Capital Projects:	
	Capital Projects	7,600
	Capital Reserve	30,000
		<u>349,191</u>
Capital Projects:	Capital Projects:	
Capital Projects	Community Development	37,600
	Capital Reserve	75,000
		<u>112,600</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	98,394
	Capital Projects:	
	New Pool	17,849
		<u>116,243</u>
		<u>\$ 578,034</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reduction in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were approximately \$16,800.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund for the casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and property coverage and automobile liability in the amount of \$500,000, \$9,400,000, and \$1,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the City offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all City employees, and the retiree must pay a health insurance premium equal to that charged for current employees. There are 14 active employees and no retirees currently covered by the Plan.

Potential for Liability: The City currently finances a retiree benefit plan on a pay-as-you-go basis. A review of the City's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists.

NOTE 9 - COMMITMENTS AND CONTINGENCY

Construction Contracts

The City has entered into agreements for the construction of a police shed with an estimated cost of \$66,600, of which \$48,900 has been paid as of June 30, 2012. The projects will be financed with the use of existing funds.

Advance Refund of Debt

In July, 2012, the City issued \$975,000 of General Obligation Refunding Bonds for the purpose of advance refunding the Series 2004A and Series 2004B General Obligation Bonds.

Subsequent Events

The City has purchased new computer software at a cost of approximately \$25,000. The City has evaluated all subsequent events through December 28, 2012, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF TAMA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2012

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 851,460	\$ --	\$ 851,460
Tax increment financing	9,800	--	9,800
Other city tax	178,776	--	178,776
Licenses and permits	21,399	--	21,399
Use of money and property	40,330	3,282	43,612
Intergovernmental	393,496	--	393,496
Charges for service	343,635	712,961	1,056,596
Miscellaneous	<u>135,543</u>	<u>46,720</u>	<u>182,263</u>
Total receipts	<u>1,974,439</u>	<u>762,963</u>	<u>2,737,402</u>
Disbursements:			
Public safety	710,605	--	710,605
Public works	557,856	--	557,856
Health and social services	5,155	--	5,155
Culture and recreation	285,554	--	285,554
Community and economic development	57,421	--	57,421
General government	156,333	--	156,333
Debt service	255,354	--	255,354
Capital projects	475,411	--	475,411
Business type activities	<u>--</u>	<u>721,256</u>	<u>721,256</u>
Total disbursements	<u>2,503,689</u>	<u>721,256</u>	<u>3,224,945</u>
Excess (deficiency) of receipts over (under) disbursements	(529,250)	41,707	(487,543)
Other financing sources (uses), net	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(529,250)	41,707	(487,543)
Balances beginning of year	<u>3,602,704</u>	<u>458,209</u>	<u>4,060,913</u>
Balances end of year	<u>\$ 3,073,454</u>	<u>\$ 499,916</u>	<u>\$ 3,573,370</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$ 851,671	\$ 851,671	\$ (211)
8,962	8,962	838
180,663	180,663	(1,887)
6,650	6,650	14,749
88,400	89,236	(45,624)
383,103	500,448	(106,952)
1,112,826	1,132,826	(76,230)
44,280	51,780	130,483
<u>2,676,555</u>	<u>2,822,236</u>	<u>(84,834)</u>
764,184	784,555	73,950
548,396	613,337	55,481
12,950	12,950	7,795
284,901	319,283	33,729
38,000	181,345	123,924
156,261	158,261	1,928
255,354	255,354	--
227,432	563,576	88,165
707,402	774,802	53,546
<u>2,994,880</u>	<u>3,663,463</u>	<u>438,518</u>
(318,325)	(841,227)	353,684
<u>--</u>	<u>(25,000)</u>	<u>25,000</u>
(318,325)	(866,227)	378,684
<u>3,471,325</u>	<u>4,059,498</u>	<u>1,415</u>
<u>\$ 3,153,000</u>	<u>\$ 3,193,271</u>	<u>\$ 380,099</u>

CITY OF TAMA, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, the Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$668,583. The budget amendments are reflected in the final budgeted amount.

SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2012

	Special Revenue			Capital Projects
	Local Option Sales Tax	Trust & Agency	Tax Increment Financing	Capital Projects
Receipts:				
Tax increment financing	\$ --	\$ --	\$ 9,800	\$ --
Other city tax	152,394	--	--	--
Use of money and property	--	1,007	--	1,787
Miscellaneous	--	74,228	--	4,237
Total receipts	<u>152,394</u>	<u>75,235</u>	<u>9,800</u>	<u>6,024</u>
Disbursements:				
Operating:				
Public safety	--	20,463	--	--
Culture and recreation	--	13,664	--	--
General government	--	480	--	--
Capital projects	--	--	--	79,729
Total disbursements	<u>--</u>	<u>34,607</u>	<u>--</u>	<u>79,729</u>
Excess (deficiency) of receipts over (under) disbursements	152,394	40,628	9,800	(73,705)
Other financing sources (uses):				
Operating transfers in	--	--	--	112,600
Operating transfers out	(152,394)	--	(8,096)	(7,600)
Total other financing sources (uses)	<u>(152,394)</u>	<u>--</u>	<u>(8,096)</u>	<u>105,000</u>
Net change in cash balances	--	40,628	1,704	31,295
Cash balances, beginning of year	<u>--</u>	<u>149,230</u>	<u>--</u>	<u>26,876</u>
Cash balances, end of year	<u>\$ --</u>	<u>\$ 189,858</u>	<u>\$ 1,704</u>	<u>\$ 58,171</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Capital projects	--	--	--	58,171
Other purposes	--	189,858	1,704	--
Total cash basis fund balances	<u>\$ --</u>	<u>\$ 189,858</u>	<u>\$ 1,704</u>	<u>\$ 58,171</u>

See accompanying independent auditor's report.

Capital Projects				Permanent Cemetery Perpetual Care	Total
Community Development	New Pool	2006 Street Improvement	Water		
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,800
--	--	--	--	--	152,394
--	1,075	--	--	891	4,760
<u>21,786</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>50</u>	<u>100,301</u>
<u>21,786</u>	<u>1,075</u>	<u>--</u>	<u>--</u>	<u>941</u>	<u>267,255</u>
--	--	--	--	--	20,463
--	--	--	--	1,813	15,477
--	--	--	--	--	480
<u>3,236</u>	<u>--</u>	<u>48,485</u>	<u>8,619</u>	<u>--</u>	<u>140,069</u>
<u>3,236</u>	<u>--</u>	<u>48,485</u>	<u>8,619</u>	<u>1,813</u>	<u>176,489</u>
18,550	1,075	(48,485)	(8,619)	(872)	90,766
--	--	--	--	--	112,600
(37,600)	(17,849)	--	--	--	(223,539)
(37,600)	(17,849)	--	--	--	(110,939)
(19,050)	(16,774)	(48,485)	(8,619)	(872)	(20,173)
<u>68,954</u>	<u>132,672</u>	<u>48,485</u>	<u>16,249</u>	<u>57,436</u>	<u>499,902</u>
<u>\$ 49,904</u>	<u>\$ 115,898</u>	<u>\$ --</u>	<u>\$ 7,630</u>	<u>\$ 56,564</u>	<u>\$ 479,729</u>
\$ --	\$ --	\$ --	\$ --	\$ 56,564	\$ 56,564
49,904	115,898	--	7,630	--	231,603
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>191,562</u>
<u>\$ 49,904</u>	<u>\$ 115,898</u>	<u>\$ --</u>	<u>\$ 7,630</u>	<u>\$ 56,564</u>	<u>\$ 479,729</u>

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NON-MAJOR ENTERPRISE FUNDS

As of and for the year ended June 30, 2012

	<u>Water Revenue Bond</u>	<u>Sewer Rehabilitation</u>
Receipts:		
Charges for services	\$ 51,660	\$ 25,008
Total receipts	51,660	25,008
Non-operating receipts (disbursements):		
Debt service	(51,660)	--
Capital projects	--	(29,528)
Total non-operating receipts (disbursements)	(51,660)	(29,528)
Excess (deficiency) of receipts over (under) disbursements	--	(4,520)
Other financing sources (uses):		
Operating transfers in	--	--
Operating transfers out	--	--
Total other financing sources (uses)	--	--
Net change in cash balances	--	(4,520)
Cash balance beginning of year	42,069	35,417
Cash balance end of year	<u>\$ 42,069</u>	<u>\$ 30,897</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 42,069	\$ --
Unrestricted	--	30,897
Total cash basis fund balances	<u>\$ 42,069</u>	<u>\$ 30,897</u>

See accompanying independent auditor's report.

<u>Sewer Replacement</u>	<u>Total</u>
\$ 25,008	\$ 101,676
25,008	101,676
--	(51,660)
(25,818)	(55,346)
(25,818)	(107,006)
(810)	(5,330)
--	--
--	--
--	--
(810)	(5,330)
123,141	200,627
\$ 122,331	\$ 195,297
\$ --	\$ 42,069
122,331	153,228
\$ 122,331	\$ 195,297

CITY OF TAMA, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Corporate Purpose Bonds Series 2006	August 1, 2006	4.00% - 4.63%	\$ 1,500,000
Aquatics Center Notes Series 2004A	August 1, 2004	2.25% - 4.75%	1,165,000
Aquatics Center Notes Series 2004B	August 1, 2004	2.75% - 5.00%	300,000
Total			
Revenue Bonds:			
State revolving fund loans:			
Sewer	October 1, 1993	3.00%	1,784,000
Water	December 9, 2009	3.00%	836,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,095,000	\$ --	\$ 90,000	\$ 1,005,000	\$ 48,611	\$ 3,736
890,000	--	50,000	840,000	39,368	3,124
<u>235,000</u>	<u>--</u>	<u>15,000</u>	<u>220,000</u>	<u>10,875</u>	<u>856</u>
<u>\$ 2,220,000</u>	<u>\$ --</u>	<u>\$ 155,000</u>	<u>\$ 2,065,000</u>	<u>\$ 98,854</u>	<u>\$ 7,716</u>
\$ 404,000	\$ --	\$ 129,000	\$ 275,000	\$ 12,120	\$ 688
<u>728,000</u>	<u>--</u>	<u>28,000</u>	<u>700,000</u>	<u>21,840</u>	<u>1,750</u>
<u>\$ 1,132,000</u>	<u>\$ --</u>	<u>\$ 157,000</u>	<u>\$ 975,000</u>	<u>\$ 33,960</u>	<u>\$ 2,438</u>

CITY OF TAMA, IOWA
BOND AND NOTE MATURITIES
June 30, 2012

General Obligation Bonds and Notes								
	Aquatic Center Series 2004A			Aquatic Center Series 2004B		Corporate Purpose Bond Series 2006		
	Issued August 1, 2004			Issued August 1, 2004		Issued August 1, 2006		
Year ending June 30,	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount	Total
2013	3.90%	\$ 55,000		4.10%	\$ 15,000	4.25%	\$ 95,000	\$ 165,000
2014	4.00	55,000		4.20	15,000	4.30	100,000	170,000
2015	4.10	60,000		4.30	15,000	4.35	100,000	175,000
2016	4.20	60,000		4.40	15,000	4.40	105,000	180,000
2017	4.30	65,000		4.50	15,000	4.45	110,000	190,000
2018	4.40	65,000		4.60	20,000	4.50	115,000	200,000
2019	4.50	70,000		4.70	20,000	4.55	120,000	210,000
2020	4.60	75,000		4.80	20,000	4.60	125,000	220,000
2021	4.75	80,000		4.90	20,000	4.63	135,000	235,000
2022	4.75	80,000		5.00	20,000			100,000
2023	4.75	85,000		5.00	20,000			105,000
2024	4.75	90,000		5.00	25,000			115,000
2025								
2026								
2027								
2028								
2029								
2030								
		<u>\$ 840,000</u>			<u>\$ 220,000</u>		<u>\$1,005,000</u>	<u>\$2,065,000</u>

See accompanying independent auditor's report.

<u>State Revolving Fund Loans</u>				
<u>Sewer Revenue Bonds</u>		<u>Water Revenue Bonds</u>		
<u>Issued October 1, 1993</u>		<u>Issued December 9, 2009</u>		
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
3.00%	\$ 135,000	3.00%	\$ 29,000	\$ 164,000
3.00	140,000	3.00	30,000	170,000
		3.00	31,000	31,000
		3.00	32,000	32,000
		3.00	33,000	33,000
		3.00	34,000	34,000
		3.00	36,000	36,000
		3.00	37,000	37,000
		3.00	38,000	38,000
		3.00	39,000	39,000
		3.00	40,000	40,000
		3.00	42,000	42,000
		3.00	43,000	43,000
		3.00	44,000	44,000
		3.00	46,000	46,000
		3.00	47,000	47,000
		3.00	49,000	49,000
		3.00	50,000	50,000
	<u>\$ 275,000</u>		<u>\$ 700,000</u>	<u>\$ 975,000</u>

CITY OF TAMA, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:				
Property tax	\$ 851,460	\$ 810,706	\$ 796,693	\$ 801,098
Tax increment financing	9,800	--	280	14,346
Other city tax	178,776	192,340	191,856	190,769
Licenses and permits	21,399	22,470	21,432	23,201
Use of money and property	40,330	76,727	98,575	115,714
Intergovernmental	393,496	747,994	436,193	365,229
Charges for service	343,635	278,591	305,211	275,908
Miscellaneous	<u>135,543</u>	<u>150,832</u>	<u>126,244</u>	<u>138,064</u>
Total	<u>\$ 1,974,439</u>	<u>\$ 2,279,660</u>	<u>\$ 1,976,484</u>	<u>\$ 1,924,329</u>
Disbursements:				
Operating:				
Public safety	\$ 710,605	\$ 661,424	\$ 662,443	\$ 619,137
Public works	557,856	446,472	462,054	493,610
Health and social services	5,155	8,013	5,918	5,902
Culture and recreation	285,554	233,054	231,711	222,852
Community and economic development	57,421	34,246	13,952	19,618
General government	156,333	149,633	145,019	142,122
Debt service	255,354	256,101	256,496	251,516
Capital projects	<u>475,411</u>	<u>222,939</u>	<u>258,189</u>	<u>219,250</u>
Total	<u>\$ 2,503,689</u>	<u>\$ 2,011,882</u>	<u>\$ 2,035,782</u>	<u>\$ 1,974,007</u>

See accompanying independent auditor's report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 712,597	\$ 702,341	\$ 700,983	\$ 641,617	\$ 669,969	\$ 705,032
146,711	45,112	584	30,210	14,471	5,809
188,009	188,492	163,440	157,064	133,376	33,298
22,074	19,356	18,908	19,794	19,788	22,477
133,115	133,508	101,270	118,227	106,243	72,016
320,417	304,191	328,713	364,766	271,417	804,352
216,762	220,532	205,672	223,582	184,486	183,942
<u>130,476</u>	<u>105,671</u>	<u>111,858</u>	<u>246,191</u>	<u>229,661</u>	<u>74,559</u>
<u>\$ 1,870,161</u>	<u>\$ 1,719,203</u>	<u>\$ 1,631,428</u>	<u>\$ 1,801,451</u>	<u>\$ 1,629,411</u>	<u>\$ 1,901,485</u>
\$ 652,322	\$ 591,352	\$ 621,918	\$ 593,193	\$ 501,974	\$ 449,528
393,019	380,275	407,346	386,834	530,715	386,698
5,148	5,308	3,439	4,089	4,814	3,011
212,392	198,534	195,941	169,609	176,179	140,647
22,295	26,434	24,990	22,277	22,028	--
137,601	130,406	130,434	127,852	124,930	118,362
256,386	244,857	249,958	186,362	178,885	176,842
<u>257,080</u>	<u>940,624</u>	<u>469,942</u>	<u>1,460,820</u>	<u>798,672</u>	<u>563,366</u>
<u>\$ 1,936,243</u>	<u>\$ 2,517,790</u>	<u>\$ 2,103,968</u>	<u>\$ 2,951,036</u>	<u>\$ 2,338,197</u>	<u>\$ 1,838,454</u>

CITY OF TAMA, IOWA
 SCHEDULE OF SEWER SERVICE CHARGES
 Year ended June 30, 2012

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$10.20	\$10.20
Volume charge:	\$4.71/1,000 gallons	\$4.71/1,000 gallons
Surcharge for concentration levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

* Biochemical oxygen demand

See accompanying independent auditor's report.

CITY OF TAMA, IOWA
SCHEDULE OF INSURANCE IN FORCE
Year ended June 30, 2012

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Liberty Mutual	WC5-34S-532231-012	Workers' Compensation Employer's Liability
Continental Western Group	PEP 2979305-21 PEP 2979305-21 PEP 2979305-21	Commercial property Auto Commercial Inland Marine and scheduled property
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability Fidelity bond

See accompanying independent auditor's report.

<u>Policy Period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/12 to 4/1/13	Worker's Compensation All Employees	Statutory \$500,000/Accident \$500,000/Employee \$500,000/Policy Limit
4/1/12 to 4/1/13	Property Damage	\$9,400,000 Policy Limit
4/1/12 to 4/1/13	Auto Liability	\$1,000,000 Liability
4/1/12 to 4/1/13	Non Real Estate Property	\$625,826/Occurrence
4/1/12 to 4/1/13	General Liability	\$2,000,000
	Officials Liability	\$2,000,000
	Law Enforcement Liability	\$2,000,000
1/1/12 to 1/1/13	Employee Performance	\$50,000

CITY OF TAMA, IOWA
SCHEDULE OF LEGAL DEBT MARGIN
June 30, 2012

Valuation of City as of January 1, 2010	\$ 93,636,518
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	4,681,825
General obligation indebtedness outstanding as of June 30, 2012	<u>2,065,000</u>
Legal Debt Margin	<u>\$ 2,616,825</u>

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Tama, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 28, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Tama is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Tama's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Tama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Honorable Mayor and
Members of the City Council

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 12-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Tama's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tama and other parties to whom the City of Tama may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Greenwald, Ben, Luhn & W.P.C.

Atlantic, Iowa
December 28, 2012

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2012

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- 12-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

* * *

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2012

PART II: Other Findings Related to Statutory Reporting

- 12-II-A Certified Budget: Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- 12-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 12-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- 12-II-D Business Transactions: In accordance with Chapter 362.5(3) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.
- 12-II-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 12-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 12-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.
- 12-II-H Revenue Bonds: No instances of non-compliance with revenue bond and note resolutions were noted, except the City has not prepared its financial statements using the accrual method of accounting, including a balance sheet, as of June 30, 2012 as required by one of its revenue bonds. This requirement is contrary to the City's normal cash basis method of reporting.

Recommendation: The City should obtain a waiver from this provision.

Response: The City will try to obtain a waiver from this provision.

Conclusion: Response accepted.

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